



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



JENNIFER M. GRANHOLM
GOVERNOR

THOMAS D. WATKINS, JR.
SUPERINTENDENT OF
PUBLIC INSTRUCTION

MEMORANDUM

TO: State Board of Education

FROM: Thomas D. Watkins, Jr., Chairman

DATE: February 24, 2004

SUBJECT: Report on Financial Status of Michigan Deficit School Districts for
2002-2003 (Report to Legislature Under Section 102 of the State School Aid Act)

An analysis of 2002-2003 (FY2003) fiscal data has been completed, identifying school districts that ended the year in a deficit position. The analysis is conducted using data collected on the annual comprehensive financial report ("Form B"), which is filed by the districts and from financial audit reports prepared by Certified Public Accountants. Both reports are due to the Department in November following the end of the fiscal year and analysis of the data is usually completed by early February. The superintendents of those districts determined to be in a deficit situation are contacted, and meetings between Department staff and school administrators and/or local school board members are arranged, when necessary, to review their deficit elimination plans in detail.

For the school fiscal year that ended June 30, 2003, there were 11 districts (eight traditional school districts and three public school academies) with operating deficits compared to a total of 11 as of June 30, 2002. The number of districts ending the year in deficit has declined over the last ten years, with 28 reported in 1993-94, 20 in 1997-98, and 11 in each of the past two years.

Of the 11 districts that ended FY2002 in deficit, two successfully eliminated the deficit by the end of FY2003. These districts are identified on Attachment B. One PSA, Michigan Institute for Construction Trades, ceased to operate in 2002-03. The remaining eight districts plus three additional districts comprise the 11 districts that ended fiscal year 2003 in deficit. Attachment A lists the 11 districts and the basic financial details of their fiscal situation and indicates their general status with regard to changes in their financial situation between June 30, 2002, and June 30, 2003. A deficit elimination plan for fiscal year 2003 has not been received from three districts, although Department staff has been working closely with them to develop an acceptable budget/deficit elimination plan. There are no 2004 projected revenues or fund balance included in Attachment A for those districts.

In summary:

one district that both began and ended FY2003 in deficit was successful in reducing the deficit to the level indicated in their plan (Category "A" on Attachment A);

two districts that both began and ended FY2003 in deficit reduced the deficit but not to the extent contained in their plan (Category "B");

five districts began FY2003 in deficit and ended the year with a greater deficit (Category "C"); and

three districts began FY2003 with a positive fund balance but incurred a deficit during the year (Category "D").

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**Michigan Public Schools with Deficits
For Fiscal Year Ending June 30, 2003
and Projections for Fiscal Year 2004**

Attachment A

ISD/School Name	Category	General Fund Revenues	Deficit 06/30/03	% Deficit is of Revenues	Projected GF Revenues 2004	Projected Surplus/Deficit 2004	% Fund Balance is of Revenues
Genesee							
Beecher Community School	C	\$23,255,959	-\$491,769	-2.11%	\$0	\$0	NA
Gogebic-Ontonagon							
Ironwood Area Schools		\$9,797,964	\$258,989	-2.64%	\$9,379,687	\$432,044	-5%
White Pine Public Schools		\$924,536	\$399,035	-43.16%	\$858,352	\$387,665	-45%
Copper Country							
Dollar Bay-Tamarack City Area Sch.	A	\$2,018,718	\$20,994	1.04%	\$2,013,900	\$5,777	0%
Ingham							
Walter French Academy	B	\$3,967,216	\$605,086	15.25%	\$3,967,216	\$484,271	12%
Macomb							
New Haven Community School	C	\$9,039,967	\$295,127	-3.26%	\$9,814,049	\$225,645	NA
Arts Academy in the Woods	D	\$1,344,935	\$163,931	12.19%	\$0	\$0	0%
Oakland							
Madison Public Schools		\$17,292,154	\$1,344,591	-7.78%	\$17,305,560	-\$1,326,619	-8%
Wayne							
Redford Union	B	\$9,736,004	\$237,997	-2.44%	\$0	\$0	0%
Nataki Talibah Schoolhouse	D	\$3,557,305	-\$24,546	-0.69%	\$3,807,437	\$247,224	6%
YMCA Service Learning Academy	D	\$8,608,302	\$468,612	-5.44%	\$8,257,270	-\$349,998	-4%

**Michigan Public Schools
with Deficits at June 30, 2002
and Positive Fund Balances at June 30, 2003**

Attachment B

	<u>School District/Academy</u>	Fund Balance as of <u>6/30/2002</u>	Fund Balance as of <u>6/30/2003</u>
Marshall		-\$95,371	\$334,548
Garden City		-\$255,818	\$1,209,198